North Dakota
DEPARTMENT OF COMMERCE

"We lead North Dakota's efforts to attract, retain and expand wealth."

North Dakota
DEPARTMENT OF COMMERCE

North Dakota Economic Development Strategic Plan

Presenter: Shane Goettle

March 31, 2010

Commissioner

North Dakota Department of Commerce

Key Functions of the Plan

1. Assess North Dakota's current economic landscape and target industries.

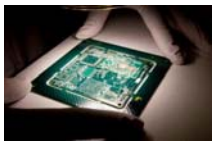
2. Identify key areas of opportunity.

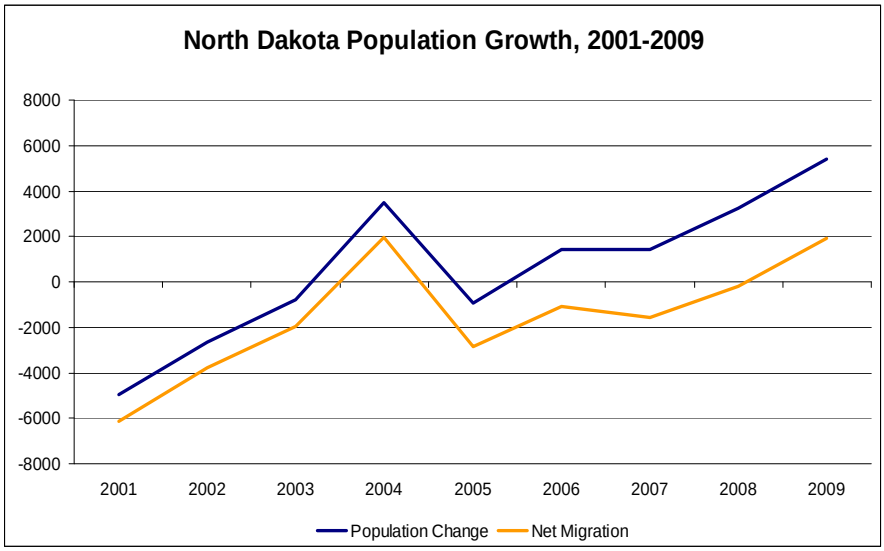
3. Establish goals and performance measures for economic development.

4 Essential Strategies for Continued Growth

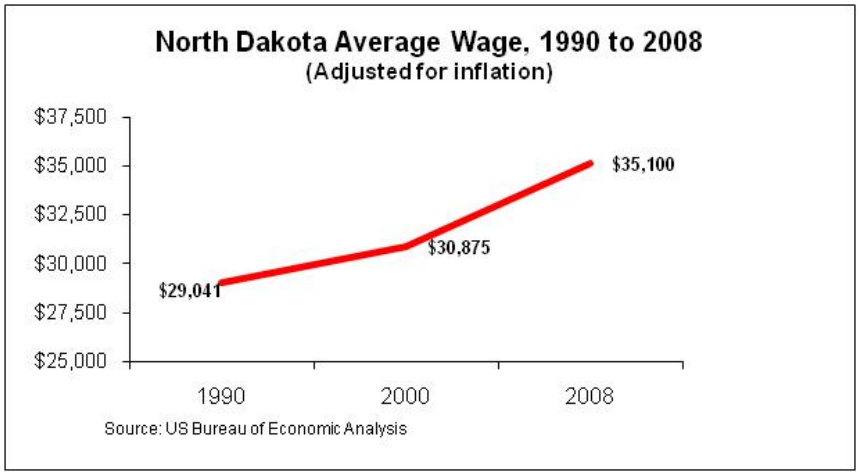
1. Invest in university-based research and development conducted with the private sector.
2. Foster a culture of entrepreneurship where innovative companies can thrive.
3. Address education, training, recruitment and retention to provide a steady supply of skilled workers.
4. Promote export trade.

North Dakota's Top 10 Economic Trends

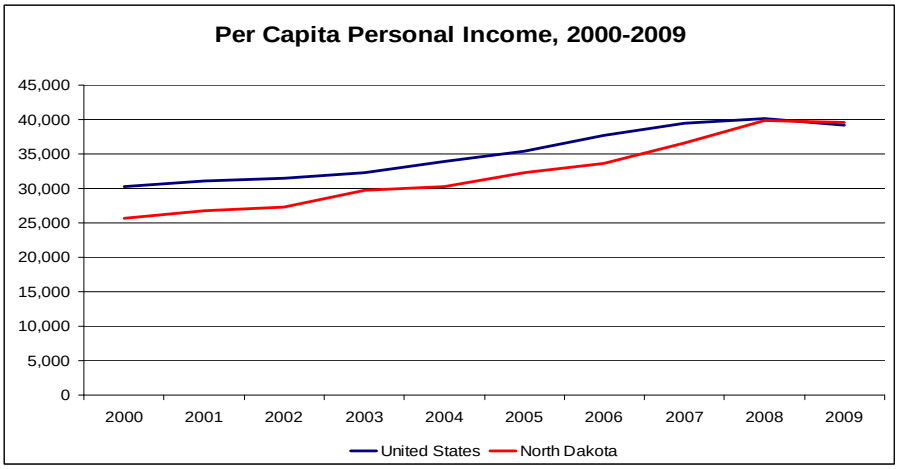




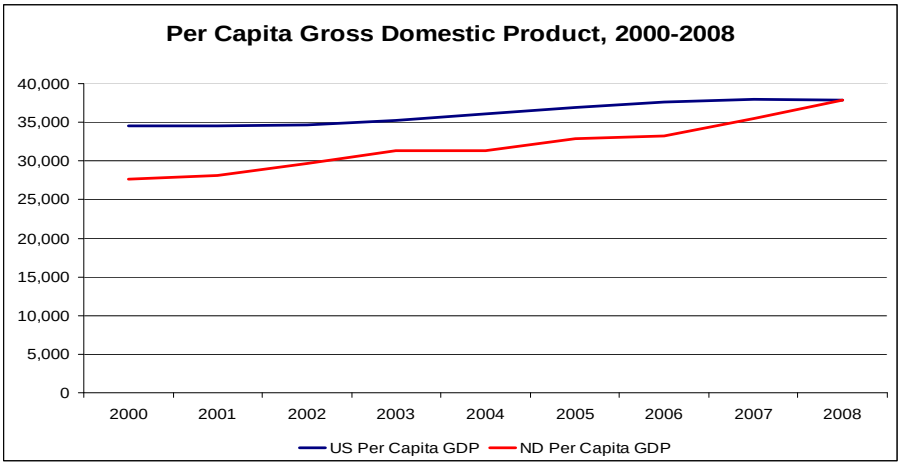
Wages


North Dakota Average Wage, 1990 to 2008
(Adjusted for inflation)
$37,500
$35,000
$32,500
$30,000
$27,500
$25,000
$29,041
$30,875
$35,100
1990
2000
2008
Source: US Bureau of Economic Analysis

Wages

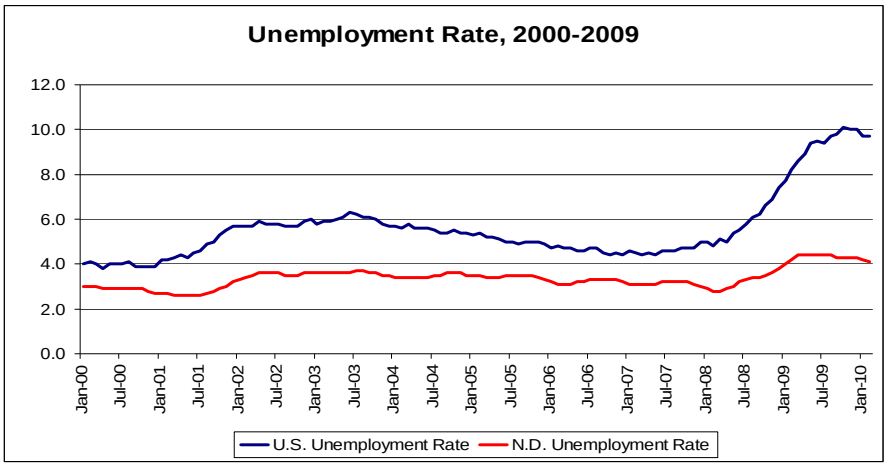

Per Capita Personal Income, 2000-2009
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
United States
North Dakota

Productivity



Exports

Unemployment Rate



Growth Challenges

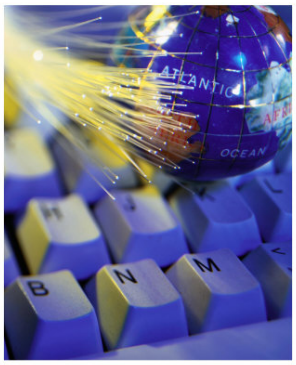
- Geography/Image
- Outsourcing
- National Recession
- Federal Policy
- Other Issues

Advanced Manufacturing, Opportunities

- Biotech manufacturing
- Agricultural biotech
- Agricultural-related technology manufacturing

Technology Based Businesses, Opportunities

- Entrepreneurial startups
- Technology centers, research facilities, research & development tax credits



Value Added Agriculture, Opportunities

- Convenience foods
- Specialty foods for niche markets

Tourism Industry, Opportunities

- Canadian travel
- Outdoor resources
- Rural and agri-tourism
- Green Travel options

Energy Industry, Opportunities

- Oil and Gas
- Wind
- Coal
- Biofuels
- Manufacturing, services and by-product production

Goal 1

Create, attract, and retain **quality jobs** and **workforce** in targeted industries and high-demand occupations.

Goal 2

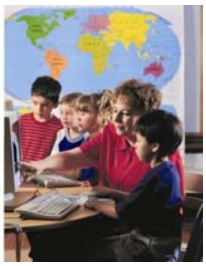
Strengthen North Dakota's **business climate** and **image** to increase national and global competitiveness

Goal 3

Accelerate **innovation** and **entrepreneurship** in targeted industries and emerging technologies.

Goal 4

Enhance the state **education and training system's** ability to meet business and workforce needs of the future.



Goal 5

Continue to enhance a **unified front** for North Dakota that supports community, economic and workforce development.

Goal 6

Enhance North Dakota's **image**.

Overall Goal of the Strategic Plan

Provide common direction, strategic areas of emphasis and priorities for investing state and local dollars.

4 Essential Strategies for Continued Growth

1. Invest in university-based research and development conducted with the private sector.
2. Foster a culture of entrepreneurship where innovative companies can thrive.
3. Address education, training, recruitment and retention to provide a steady supply of skilled workers.
4. Promote export trade.

Contact Information

Shane Goettle

www.ndcommerce.com

Business Hotline: 1-866-4Dakota

701-328-5300

"We lead North Dakota's efforts to attract, retain and expand wealth."

NORTH DAKOTA ECONOMIC DEVELOPMENT

DRAFT

STRATEGIC PLAN: 2010-2020

TABLE OF CONTENTS

Purpose 2

Executive Summary 3

Economic Assessment 5

Sector Analysis 8

Target Industry Evaluations 11

Goals, Strategies, Performance Measures 14

Purpose/Goal:

This plan was developed by the North Dakota Economic Development Foundation, a private sector advisory group charged by the Legislature to advise the governor and the Department of Commerce on strategies to improve the state's competitiveness and increase economic growth. This is an update from the 2002 North Dakota Economic Development Foundation Strategic plan.

This plan is intended to be a catalyst for state and local economic development efforts by providing common direction, strategic areas of emphasis and priorities for investing state and local dollars. Ultimately, the goal of statewide economic development efforts is to foster a business climate that generates quality employment opportunities that improve the quality of life for North Dakota people.

Five Key Functions:

North Dakota Economic Development Strategic Plan

1. Provide an assessment of North Dakota's current economic landscape and target industries.
2. Identify key areas of opportunity.
3. Establish aggressive, yet realistic goals and benchmarks for the state's future economic development.
4. Facilitate collaboration among state legislators and economic development partners, both public and private.
5. Provide continuity on economic development initiatives during transitions between governors and other key state leaders.

EXECUTIVE SUMMARY

In developing the plan, the North Dakota Economic Development Foundation held 11 meetings throughout the state to gather input from communities about their greatest needs, challenges and opportunities. They heard presentations from 28 economic development directors and had roundtable discussions with 121 community leaders.

They also analyzed current economic data and trends, conducted a sectoral analysis and evaluated the state's five targeted industries.

This plan advocates continuing the current economic development strategy focused on five targeted industries: advanced manufacturing, technology-based businesses, value-added agriculture, tourism and energy. This strategy is grounded on North Dakota's assets:

1. Educated, hardworking people.
2. Abundant natural resources.
3. Strong academic, transportation and technology infrastructure.

This plan identifies four key areas that the Foundation believes are essential to growing and diversifying North Dakota's economy in the future.

North Dakota's Future

4 Essential Strategies for Continued Growth

1. Continue investing in university-based research and development conducted with the private sector that engages North Dakota in emerging industries such as life sciences and advanced technology.
2. Embrace entrepreneurship and foster a culture of entrepreneurship where innovative, tech-savvy companies can thrive.
3. Continue investing in statewide talent strategies that address education, training, recruitment and retention to provide a steady supply of skilled workers needed to fuel long-term business growth.
4. Promote export trade by linking North Dakota businesses with foreign buyers and markets.

North Dakota Then and Now

Then:

- Annual population estimates were negative with significant out-migration.
- Economic growth was slow in most industries and lagging the nation as a whole.
- Wages were growing but slower than the region and the nation.
- The labor force was growing but sporadic.

Now:

- Population estimates show out-migration has reversed and the state is growing.
- North Dakota leads the nation in growth of gross domestic product
- Per capita income has caught up with the national average.
- North Dakota has the lowest unemployment rate in the nation and the non-farm payroll has increased 11.4 percent since 2001.

North Dakota emerged as an economic leader during the recent global recession by making fiscally sound investments that leveraged our state's natural strengths. This strategic plan builds on successful strategies of the past to support the growth of more good paying jobs, stronger communities and a higher quality of life for North Dakota citizens.

Highlights of Economic Assessment

As the nation struggles through one of the most severe recessions in decades, North Dakota has continued to show growth in almost all measures of economic activity. This growth can be attributed to many factors including leadership from Governor John Hoeven, the Legislature, the Department of Commerce, the pioneer spirit of North Dakota people and the direction set by the Foundation's first strategic plan in 2002.

The economic assessment contained in the 2002 North Dakota Economic Development Foundation Strategic plan painted a much different picture about North Dakota compared to today. North Dakota has improved considerably in almost all measurements of economic activity.

North Dakota's Top 10 Economic Trends

North Dakota Economic Development Strategic Plan

1. North Dakota's population has grown five of the last six years, up over 14,000 since 2003.
2. Annual births increased 18 percent from 2001 to 2009.
3. Net migration in 2009 was nearly 1,900 people, the second highest number in a decade.
4. 2009 population estimates showed a growth of 4,644 since 2000.
5. Median income for a family of four increased over 40 percent from 2000 to 2008, far exceeding the U.S. growth of 22 percent.
6. Per capita personal income in 2008 reached 99 percent of the national per capita income compared to 80 percent in 1995.
7. Non-farm payroll has increased 11.4 percent since 2001 compared to a 0.9 percent drop for the nation.
8. North Dakota consistently has one of the lowest unemployment rates in the nation.
9. In 2008, North Dakota led the nation in growth of gross domestic product, up 7.3 percent.
10. North Dakota exports grew 222 percent from 2002 to 2008, and North Dakota led the nation in export growth in 2008.

ECONOMIC ASSESSMENT OVERVIEW

Summary of Findings-February 2010

The following assessment examines population, education, wages, age, labor force, employment, growth industries and exports. It provides a status report on these key economic indicators and offers strategic direction for future state and local policies and investments.

This assessment is based on data collected from the following sources: U.S. Census Bureau; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Department of Energy; International Trade Administration; N.D. Department of Commerce, Tourism Division; Job Service North Dakota; N.D. Industrial Commission, Oil & Gas Division.

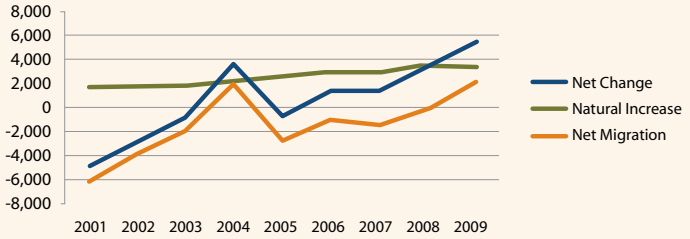
POPULATION

During the 1990s, North Dakota began to reverse the negative growth trends that occurred in the 1980s. Early in the 2000s, population estimates declined again, but have been on an upward trend since 2003. Growth rates have been modest but consistently positive.

- Median age is growing slower than the national rate, employment is increasing, especially in the younger age brackets, and natural and net migration have increased in annual populations estimates.
- According to U.S. Census Bureau estimates, North Dakota continues to lag behind other states in the region in population growth.
- While many factors impact population growth, clearly jobs and economic opportunities are the leading components.

North Dakota Population Growth

2001-2009



Source: US Census Bureau

Strategic Implications: Good job opportunities are the key factor in retaining the state's young educated workers and attracting new people to the state. In order to continue stabilizing and growing the state's population, state and local leaders should:

1. Continue developing the state's targeted industries.
2. Support initiatives that foster a culture of entrepreneurship.
3. Continue building an environment where innovative, tech-savvy companies can thrive.

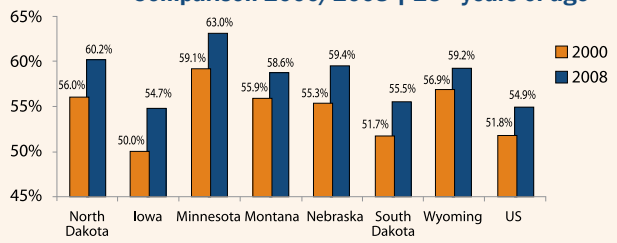
EDUCATION

North Dakota has enjoyed a measurable improvement in its education attainment levels during the last two decades. Despite a slight decline between 1990 and 2000, the state leads the region in the share of its adult population enrolled in college or graduate school. College enrollment continues to grow, up 20 percent since 2000.

- The North Dakota K-12 and University Systems are producing an educated and skilled workforce.
- North Dakota's challenge is retaining these workers after they complete their education with good job opportunities that appeal to younger workers.
- North Dakota has made progress in this respect. Data from the Local Employment Household Dynamics program shows an average increase of over 3,000 workers under age 35 per year between the years 2003 and 2008.

Share of Adults with Some College or Greater

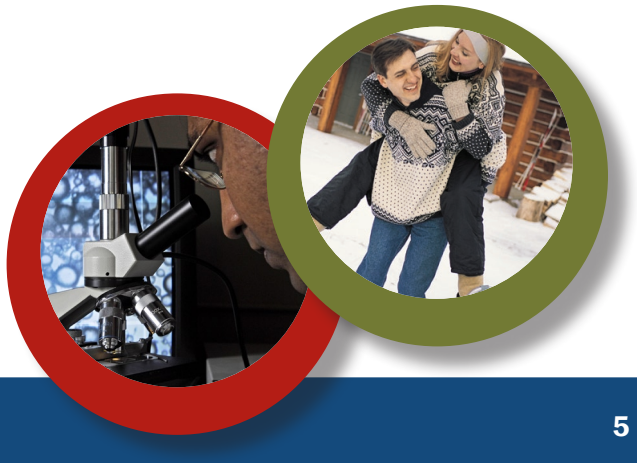
Comparison 2000/2008 | 25+ years of age



Source: US Census Bureau -- 2009 ACS - 3 Year Estimates

Strategic Implications: North Dakota's education system generates the state's future workforce. In order to support the growth of North Dakota business, the state must:

1. Continue investing in initiatives aimed at informing students and parents about career opportunities in North Dakota.
2. Support educational programs at North Dakota schools, colleges and universities that prepare young people for high-demand jobs in North Dakota.
3. Improve the post-secondary education and training completion rate by supporting college preparation at the K-12 level.

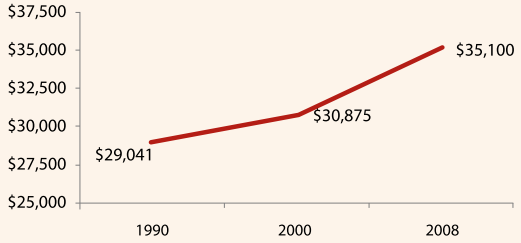


WAGES

Wage rates in North Dakota declined sharply in the 1980s. In the 1990s, the state reversed this decline. Since 2000, the rate of growth in wages has accelerated over that of the 1990s, up 14 percent over inflation from 2000 to 2008.

North Dakota Average Wage

1990-2008 | Adjusted for Inflation



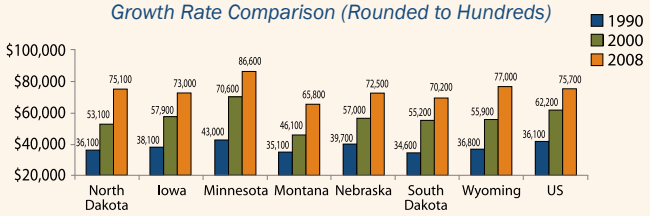
Source: US Bureau of Economic Analysis

The median income for a family of four in North Dakota grew at a rate of nearly double the national growth rate from 2000 to 2008.

Median Income for 4-Person Families

1990/2000/2008 | Adjusted for Inflation

Growth Rate Comparison (Rounded to Hundreds)



Source: US Census Bureau -- Percentage Increase by State 2000-2008

Strategic Implications: In order to continue growing wages, state and local leaders should:

1. Continue developing the state's targeted industries.
2. Invest in research and development that improves North Dakota's assets and competitiveness in emerging industries such as life sciences and advanced technology.
3. Continue investing in programs that foster entrepreneurship and nurture a business culture where innovative, tech-savvy companies can thrive.

AGE

Newly released U.S. Census Bureau data shows that the nation as a whole is aging, and North Dakota follows that trend. However, since 2000 North Dakota's median age has increased slower than the region (with the exception of Wyoming) and the nation as a whole. North Dakota's birthrate increased steadily during the last decade and was up more than 20 percent in 2009 compared to 2001.

Strategic Implications: The retirement of the baby boom generation will leave significant vacancies in the workforce. Three strategies will help North Dakota businesses prepare for these workforce shortages:

1. Help existing businesses prepare for a smooth transition from one generation to the next with efforts such as succession planning.
2. Intensify initiatives aimed at attracting and retaining talent.
3. Reduce incentives that encourage people to retire early.

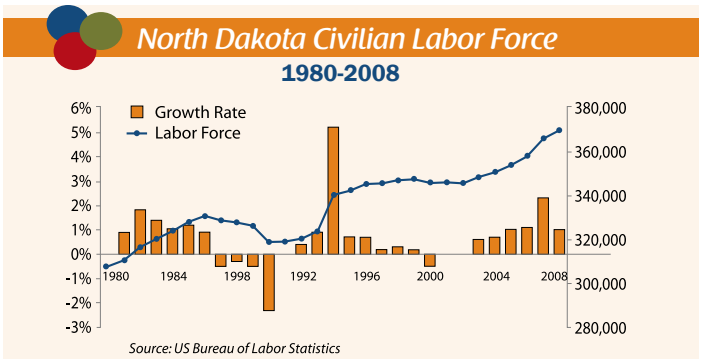
LABOR FORCE and EMPLOYMENT

The growth in North Dakota's labor force throughout the 1990s was a significant reversal of the trends of the 1980s. Since 2000, the civilian labor force has grown by nearly 24,000 workers reaching 370,000 in 2008.

Based on each sector's share of total employment from 2002 to 2008, the sectors with the fastest growth were mining up 85 percent, management services up 28 percent, professional and technical services up 26 percent and construction up 20 percent.

In actual employment numbers from 2002 to 2008, the fastest growing sectors were construction up 5,650, health care up 5,076, professional & technical up 3,938, and mining up 3,601. All sectors showed growth in employment except information which includes telecommunications, newspaper and media business.

Likewise, employment statistics show North Dakota has enjoyed almost a 40 percent increase in nonfarm payrolls since 1990, outpacing national employment growth for the last 19 years.



Strategic Implications: North Dakota's growing, well-educated workforce is a valuable asset for the state. The quality and quantity of the workforce is a prime measurement for private sector capital investment. Several strategies, working together, will help fuel ongoing growth of the labor force.

1. Promote policies and initiatives that grow the state's targeted and emerging industries to generate challenging, good paying jobs for young people.
2. Intensify initiatives aimed at attracting and retaining talent.
3. Support efforts to align the state's education and training programs with future North Dakota jobs.

GROWTH INDUSTRIES

Since 1991, North Dakota has experienced its strongest industry growth rates in construction and manufacturing. North Dakota exceeded the nation in the creation of manufacturing jobs during the last 16 years. However, the future of the nation's manufacturing industry remains unclear.

Employment indicators released by the U.S. Bureau of Labor Statistics show significant decreases in manufacturing employment and clearly show that the United State's economy is transitioning away from manufacturing toward a more service-oriented economy. Services include jobs in law, information technology, engineering, software development, architecture, accounting and research services.

Since 2002, North Dakota has shown above average growth in management, professional and technical services, proving the state can compete in a services-based economy.

Strategic Implications: Nationally, many economic and business leaders believe the United States needs to shift growth strategies toward technology-based economic development which focuses on creating a climate where innovative, technology-savvy companies can thrive. State, local and federal leaders should focus on:

1. Creating initiatives to enhance the state's intellectual and physical infrastructure.
2. Cultivating a technically skilled workforce.
3. Improving access to capital.
4. Developing an entrepreneurial culture that encourages innovation.
5. Focusing on new and emerging industries with an emphasis on helping them to establish and grow in North Dakota.

INTERNATIONAL EXPORTS

From 2002 to 2008, North Dakota exports of all merchandise were up 222 percent, with manufactured goods up 200 percent. Machinery exports made up 62 percent of the manufactured goods exported. Agricultural exports were up 241 percent.

The global recession is having an effect on international sales, however, as North Dakota's exports for the first 9 months of 2009 were down 26 percent for all merchandise and 25 percent for manufactured goods. Processed foods are a bright spot, with exports up 55 percent for the first 9 months of 2009.

North Dakota's top customer is Canada, which accounts for more than 50 percent of the state's exported manufactured goods.

Strategic Implications: Working with the North Dakota Trade Office and with industry groups, the state can take advantage of a lower U.S. dollar and continue building on recent export growth in commodities, processed foods, machinery, and computer and electronic products.

1. Providing expertise to North Dakota businesses looking to expand internationally.
2. Helping businesses access capital for international expansion.
3. Educating and improving awareness of trade issues, opportunities and the exporting process.
4. Helping qualified buyers or distributors access North Dakota markets.

SECTORAL ANALYSIS

During the statewide community meetings, the Foundation analyzed each region's economic strengths, opportunities and weaknesses. In developing this strategic plan, the Foundation also examined data provided by the U.S. Bureau of Labor Statistics regarding business sectors, using the North American Industry Classification System (NAICS) in classifying and defining a business sector. The NAICS classifies individual business locations by type of economic activity in Canada, Mexico and the United States. The purpose of this system is to facilitate the collection and organization of business data in a uniform way in order to promote uniform analysis of the North American economy. The following sectoral analysis summarizes key findings by identifying the state's large and small sectors, major assets and key challenges for economic growth.

Sector strength is measured by comparing Bureau of Labor Statistics (BLS) location quotient (LQ) data (by NAICS sub-sector) for North Dakota to the nation as a whole. The location quotients are calculated by comparing the sector's share of total local employment to the sector's national share. This ratio will yield a value generally between 0.00 and 2.00, where 1.00 demonstrates an equal share percentage between the local and national economies. Sectoral concentrations greater than 2.00 indicate a strong sector agglomeration. Those less than 0.50 indicate weak sectors.

Measuring sector employment in North Dakota as a percent of total employment between 2002 and 2008 indicates which sectors were growing faster or slower than state average growth. Sectors that showed a decrease in share of employment does not necessarily mean the sector employment decreased but that its percentage share of total employment was less than the statewide total average growth.

The only sector to show an actual decrease in employment was NAICS code 51 Information, i.e., telecommunications, broadcasting, and publishing and data processing services. In North Dakota, employment in this sector dropped 6.3 percent in actual numbers of jobs. However, at the national level this sector dropped 11.2 percent during the same period.

Largest Sectors

Agriculture

By far the strongest industry sector in North Dakota is agriculture. This sector points clearly to the extraordinarily important role North Dakota plays in raising crops and livestock to feed the world's growing population and meet increasing demands for renewable energy and life science applications. Based on three-year estimates obtained in the 2006-2008 American Community Survey, agriculture in North Dakota employs more than 29,000 workers and has an LQ of 4.75.

Natural Resources

North Dakota's second strongest private sector LQ is natural resources, which includes oil and gas production and coal mining. According to 2008 U.S. Bureau of Labor Statistics, the state employs almost 7,000 workers in this sector, registering an LQ of 3.77.

Higher Education & Research

This sector includes teaching professionals and staff in both public and private universities, community colleges, and commercial and noncommercial research organizations. The high LQ reflects the emphasis North Dakotans have historically placed on education as well as significant new investments in research and development. This sector's employment in 2008 was almost 14,700 with an LQ of 1.42.

Tourism

The tourism industry is not easily measured by standard economic metrics since it is demand, not supply, driven. A number of different NAICS codes need to be used to capture tourism's impact. North Dakota has conducted extensive research to measure the impact of tourism. Recent studies show North Dakota's tourism growth has outpaced the nation, 37.6 percent since 2001 compared to the nation's growth of 31 percent according to the U.S. Travel Association.

IHS Global Insight research shows North Dakota's core tourism grew 10.7 percent between 2006 and 2008 while the rest of the nation posted an 8.1 percent gain. Visitor expenditure studies and return on investment research also show positive growth.

NDSU research which uses like methodology across various industries shows tourism has seen consistent growth since 1990 when it began the study. This growth reflects North Dakota's emphasis on targeted, research-driven marketing efforts since 2003.

Utilities

This sector includes electric services, gas distribution, water supplies, and irrigation systems. With an LQ of 2.42, utilities are strongly influenced by North Dakota's strengths in natural resources and agriculture. Total employment in 2008 was 3,416.

Wholesale Trade

With an LQ of 1.32, the strength of this sector is most likely connected to the state's strong agricultural economy. This sector includes business-to-business trade of all durable and non-durable merchandise. Employment in 2008 was 19,866.

Fastest Growing Sectors

The fastest growing sector was natural resources led by oil and gas, followed by management, professional and technical services, construction, transportation and agriculture. Information had the sharpest percentage decline driven by significant changes and job losses in the newspaper and media business. Manufacturing, trade, finance and real estate showed slight percentage decreases.

Emerging Sectors

Chemicals and Plastics: Currently, this is a small sector in North Dakota that offers big growth potential because of oil and gas development and emerging biofuels. This sector includes manufacturers of refined petroleum products into non-durable end products made from hydrocarbons such as benzene or durable end products made of plastic. North Dakota realized growth in the LQs of both chemical manufacturing and plastics between 2002 and 2008, indicating this sector is already growing.

Growth Challenges

North Dakota faces a number of challenges for future economic development, some are new but many of them are familiar.

Geography/Image

Distance from markets, lack of a major metropolitan area and a negative image are familiar challenges for North Dakota. New technology and the internet have decreased some of the geographic barriers. And the recent attention North Dakota has received as a result of its strong economy provides a different national storyline about North Dakota that highlights some of the state's most attractive qualities and provides a sharp contrast to the traditional national story about the state's remoteness and cold weather.

Outsourcing

The nation's manufacturing industry has been devastated by companies moving their production facilities off-shore to reduce labor costs. Every business is under severe pressure to remain competitive, and North Dakota companies are no exception. The state has worked hard to maintain the best business environment possible and in this global market must maintain a laser-like focus on offering businesses a highly competitive business climate.

National Recession

While North Dakota hasn't suffered as much as many areas as a result of the recession, firms here are feeling the effects. Exports and employment are down, especially in manufacturing. On the other hand, home prices have remained stable and the current debt and credit crises has had less impact here than in the rest of the country. However, the potential exists for more negative impact before the recession is over.

Federal Policy

Because health care is our largest employer and carbon-based energy is a significant and growing part of our economy, national government policy changes such as health care reform and cap-and-trade will have a major effect on North Dakota.

Other Issues

North Dakota's strong economic growth is creating new challenges such as housing shortages, childcare needs, stress on infrastructure and water resources, and the recruitment and retention of workforce.

TARGET INDUSTRY EVALUATIONS

The Foundation commissioned AngelouEconomics (AE) in 2002 to develop a roster of target industries. AE reviewed and assessed previous target industry recommendations to confirm the likelihood of success in a very dynamic and unpredictable global and national economy. A solidly based target industry evaluation allows local economic development leaders to focus their resources on those opportunities that can be reasonably expected to result in a positive outcome.

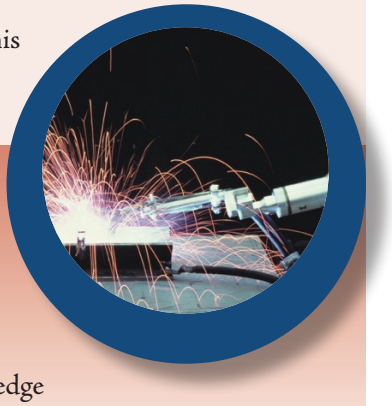
The targets are sufficiently broad to be able to incorporate smaller niches that might emerge in the state's economy.

North Dakota's Target Industries

Advanced Manufacturing
Technology-Based Business
Value-Added Agriculture
Tourism
Energy

Advanced Manufacturing

According to the March 2009 Job Service North Dakota report on advanced manufacturing, this sector has grown from the 6th to the 5th largest employment sector in the state. It also reports 10,000 new jobs since 1990, a 60 percent increase.

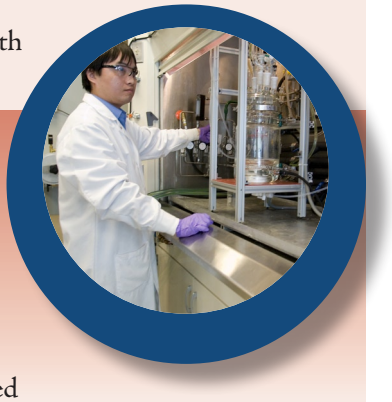


North Dakota Opportunities

- **Biotech manufacturing:** Among high-tech manufacturing industries, North Dakota has the greatest competitive advantage in biotechnology manufacturing. The state's rapidly growing biotechnology sector employs over half its tech-related manufacturing workforce.
- **Agricultural biotech:** This is a niche within biotechnology. Also referred to as bioengineering, this technology promises to drastically alter the way farmers produce foods. North Dakota's natural resources in production agriculture provide an obvious competitive edge for ag-biotech.
- **Agricultural-related technology manufacturing:** The state's large agricultural economy and value-added activities provide an opportunity for North Dakota to be a leader in producing electronic products for farm and food processing machinery.

Technology-Based Businesses

North Dakota has experienced measurable successes since the mid-1990s in employment growth through information technology (IT).



North Dakota Opportunities

- **Entrepreneurial startups:** North Dakota's opportunities in IT can be maximized by nurturing a multitude of entrepreneurial startups initiated by local talent.
- **Meteorological software development** also appears to be an opportunity that could increase the efficiencies of agricultural production in the state and also support North Dakota's growing wind power industry.
- Higher education's **technology centers and research facilities** along with new research & development tax credits are helping to set the stage for real opportunities in technology-based businesses.

Value-Added Agriculture

North Dakota ranks as the largest United States producer of 16 different commodities, including spring and durum wheat, sunflowers and barley, among other crops. The state currently has an obvious competitive advantage in agricultural production, employing more than four times as many workers as the national average.

North Dakota Opportunities

- **Convenience foods:** Export growth of North Dakota processed foods has steadily increased, including strong growth during the global recession.
- **Specialty foods for niche markets:** Specialty production presents North Dakota with an opportunity to generate growth from higher impact sectors such as agricultural biotech and "natural" foods. In addition, food production has traditionally been a strong point in North Dakota's economic, cultural and political foundations. To the extent that North Dakota has an international reputation, food has been a significant asset. Building on that identification will facilitate greater global recognition for the state.

Tourism

Tourism ranks third among industries contributing to North Dakota's economy with $4.1 billion spent in 2008. The growth of tourism is felt statewide and the growth of the industry is outpacing the nation as documented in several recent studies. Tourism created 31,208 jobs accounting for $760 million in total wages and salaries.

The legendary branding, creative strategies and comprehensive media plans are showing a strong return on investment with $123 returned for every $1 invested in advertising. Advertising North Dakota as a tourism destination also has a positive impact on the image of North Dakota. Tourism is a key factor in promoting our quality of life.

North Dakota Opportunities

- **Aggressive marketing:** North Dakota continues to be challenged by our lack of image, climate, geographic location and lack of nationally recognized landmarks which precipitates the need for aggressive marketing.
- **Canadian travel** continues to be strong. Although affected by exchange rates and border's security, a targeted year-round campaign is needed to increase the 1.5 million trips to North Dakota by Canadians.
- **Outdoor resources** are one of the main motivators for travel to North Dakota. Hunting and fishing continue to drive traffic throughout the year. A comprehensive plan to continue communicating the value of our natural resources should be a priority.
- **Rural and agri-tourism** is an area visitors are looking to experience in North Dakota. Efforts to expand these opportunities will help these sectors grow.
- **Business/leisure travel** has moved to the top four types of travel (along with outdoors, festivals and events and touring) to North Dakota. Although business travel only accounted for 18 percent of total 2008 travel to North Dakota, most of the country is seeing decreases in business travel.
- **Green travel:** North Dakota currently does not offer certified Green Travel options. As the demand for environmentally friendly travel options grows, North Dakota needs to be prepared to offer green options. Nature-based opportunities do exist and need to be tied to these efforts.

Energy

North Dakota is poised to be a model for America in the development of diverse energy resources to meet our nation's growing demand for energy in a clean, environmentally friendly and sustainable way. North Dakota is home to the world's largest deposits of lignite coal, the 4th largest oil producing state, massive wind energy potential, and the top producer of 16 different agricultural commodities that provide materials to support biofuels and biomass industries. North Dakota is home to the nation's only National Center for Hydrogen Technology and to the National Energy Center of Excellence, which also has a U.S. Department of Energy designation. All this combines to make North Dakota a major provider of energy now and in the future.

North Dakota Opportunities

- **Oil and gas:** Increased production of oil and gas from the Bakken and Three Forks formations has significantly boosted North Dakota output and has boosted tax revenues and economic activity. The outlook for future oil and gas production is positive. North Dakota's recoverable reserves were estimated at 1 billion barrels of oil in 2005. This figure has jumped to 3.1 billion barrels of oil today. Estimated gas reserves have risen from 1 trillion cubic feet to 3.1 trillion cubic feet in the same period.
- **Wind:** North Dakota is nationally recognized as having the greatest potential of any state in its capacity to produce energy through wind power. Full realization of our wind power will require further development of the power transmission grid.
- **Coal:** Research and development of clean coal technology, carbon capture and coal liquefaction promises to provide new opportunities for developing North Dakota's coal resources.
- **Biofuels:** Growing fuel as well as food provides a new avenue for diversification for North Dakota's agriculture industry. New crop varieties are under development to decrease the cost and increase the efficiency of biofuels. North Dakota is positioned to be a leader in the production of biomass and biofuels.
- **Manufacturing, services and by-product production:** Every sector within North Dakota's energy industry offers enormous potential for further development of supply chains, component manufacturing and by-product development.

GOALS, STRATEGIES, PERFORMANCE MEASURES

This plan establishes six broad goals for economic development in North Dakota. The Foundation established these goals based on information they gathered in 11 statewide community meetings as well as the economic and sectoral analyses summarized in Sections 4 and 5 of this document, and the target industry evaluation highlighted in Section 6.

These six goals include 26 strategies to provide common direction, strategic areas of emphasis and priorities for investing state and local dollars. This plan also identifies 24 performance measures that provide a means to evaluate progress toward achieving the overall goals.

Goal 1

Create, attract, and retain quality jobs and workforce in targeted industries and high-demand occupations.

Strategies

1. Encourage industry cross selling and supply-chain development through a campaign to purchase products and services from in-state companies.
2. Recruit industries that complement supply chains for target industries and that encourage entrepreneurial growth.
3. Continue to refine the set of business start-up, expansion and attraction initiatives.
4. Refine workforce training programs to focus on developing the skills needed by the state's businesses and industries.
5. Promote the existing state and federal government job training incentives.
6. Support and encourage privately funded seed stage or early venture capital funds.
7. Support the continued development of a statewide network of entrepreneurial resources.

Performance Measures

1. Net job growth
2. Average annual wage
3. Per capita personal income
4. Net migration

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Marketing and business development services to attract new businesses.
- North Dakota Development Fund financing for primary sector North Dakota businesses through direct loans, participation loans, subordinated debt and equity investments.
- Relocation program to assist out-of-state job seekers in finding career opportunities in North Dakota.
- Operation Intern to link young North Dakotans to job opportunities in North Dakota businesses.
- Centers of Excellence program launched in 2003 to support growth and innovation in North Dakota businesses and industries. Twenty centers for targeted research and workforce training have been created generating $329.4 million economic impact, creating 2,060 total jobs and 17 new or expanded businesses.
- North Dakota Youth Office and Youth Forward, initiatives aimed at inviting young people to stay in North Dakota and coordinating efforts between existing youth-related programs at the state and local level.
- Workforce Enhancement Grant Program for two-year institutions to help create or enhance training programs that address workforce needs of private sector employers.
- North Dakota Business Resource Alliance Town Hall meetings.
- Governor's Workforce Summits in 2004, 2007, 2009 and one planned for 2011.
- North Dakota Works.
- AmeriCorps.
- Learn and Serve America.
- Jobs for Americas Graduates.
- FindJobsND.com in partnership with Job Service North Dakota.
- Industry sector workforce and skills needs assessments for the oil and natural gas industry and the information technology industry.
- H1 B Technical Skills Training Grant for Healthcare administered between 2002-2005, which trained 1,175 individuals in nursing career ladder occupations.

Goal 2

Strengthen North Dakota's business climate and image to increase national and global competitiveness.

Strategies

1. Promote national and international partnerships and competiveness.
2. Support and grow the successful public/private international trade model.
3. Strengthen North Dakota's regulatory, tax and business climate.

Performance Measures

1. Gross state product (annual growth rate).
2. Merchandise export value.
3. Small Business & Entrepreneurship Council's Small Business Survival Index.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Formation of North Dakota Trade Office, a public-private partnership between the North Dakota Department of Commerce, the North Dakota District Export Council and the state's business community to collectively provide North Dakota companies with the support to succeed in the global marketplace.
- New Venture Capital Fund.
- Bank of North Dakota financing programs (PACE, BioPACE, FlexPACE, Match program).
- Job Service Workforce programs including Workforce Investment Act, Trade Adjustment Assistance, Unemployment Insurance, Workforce 2020, and North Dakota new jobs training.
- Comprehensive program of targeted state tax incentives that improves the availability of private sector capital.
- $400 million package of tax cuts approved by the 2009 Legislature.
- Business Congress and Workforce Congress Interim Committees focused on improving state workforce programs and business tax incentives.
- Monitoring policies to ensure North Dakota is accessible to international visitors while maintaining the security of our border with Canada.

Goal 3

Accelerate innovation and entrepreneurship in targeted industries and emerging technologies.

Strategies

1. Focus state tax incentives and supportive legislation to accelerate innovation and entrepreneurship in targeted industries and emerging technologies.
2. Assess state programs and how they fit with innovation, entrepreneurship, targeted industries and emerging technologies.
3. Explore health care as a profit center for long-term economic development.
4. Support state programs for research, development, demonstration and commercialization of new technologies including the development of technology parks and incubators.
5. Develop rural and ag-based tourism opportunities, education vacations and green tourism options throughout North Dakota.

Performance Measures

1. Net increase in private sector businesses.
2. Academic research and development expenditures as percent of gross state product.
3. Industry research and development expenditures as percent of gross state product.
4. Number of business activities as a result of Innovate ND.
5. Aggregate use of Seed Capital Tax Credits and Angel Fund Tax Credits.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Business development managers focused on promoting North Dakota to targeted industries.
- North Dakota Development Fund financing for primary sector North Dakota businesses through direct loans, participation loans, subordinated debt and equity investments.
- Ag Products Utilization Committee grant programs for researching and developing new and expanded uses for North Dakota agricultural products.
- Submitted a Healthcare High Growth Job Grant Application to U.S. Department of Labor.
- Centers of Excellence program launched in 2003 to support growth and innovation in North Dakota businesses and industries. Twenty centers for targeted research and workforce training have been created generating $329.4 million in economic impact, creating 2,060 total jobs and 17 new or expanded businesses.
- Tech-based entrepreneurship grant program that provides grants for access to capital, marketing assistance, entrepreneur infrastructure, and entrepreneurial talent aimed at growing technology-based entrepreneurship.
- Innovate ND, a statewide initiative designed to help entrepreneurs turn innovative concepts into viable new North Dakota business ventures. Nearly 500 people with 250 ideas have participated in the program and 70 new businesses are operational or in the development stage as a result.
- Tourism infrastructure grants to complete tourism projects that will attract and keep visitors in the state longer including $250,000 in grants to support Native American-related historical sites and events.
- New tourism development manager focusing on growing more tourism businesses and attractions.
- Strategic leadership to identify business and industry trends and to educate stakeholders on new opportunities.
- H1 B Technical Skills Training Grant for Healthcare administered during 2002-2005, which trained 1,175 individuals in nursing career ladder occupations.

Goal 4

Enhance the state education and training system's ability to meet business and workforce needs of the future.

Strategies

1. Expand the promotion of skilled trade and technical education programs at North Dakota's high schools, Area Career and Technical Centers and two-year colleges to North Dakota employers.
2. Better leverage the resources of the state's entire education system to support long-term economic development through education, training and research.
3. Support an accountable University System that has the flexibility needed to meet the needs of the private sector.
4. Promote Operation Intern with businesses in targeted industries while supporting internships and apprenticeships in general.
5. Support youth and young adult development and retention initiatives.

Performance Measures

1. Number of students taking skilled trade and technical education programs.
2. Number of employers hiring students with skilled trade and technical education.
3. Percent of interns and apprentices hired or retained as full-time employees.
4. Retention of post-secondary program completers.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Operation Intern launched in 2007 and enhanced in 2009 to link young North Dakotans to job opportunities in North Dakota businesses.
- Centers of Excellence program launched in 2003, spawning 20 centers for targeted research and workforce training to support growth and innovation in North Dakota businesses and industries.
- Workforce Enhancement Grant Program for two-year institutions to help create or enhance training programs that address workforce needs of private sector employers.
- Expansion of AmeriCorps and Learn and Serve.
- Hospitality training program offered to businesses to help train front line employees and help employees serve visitors better thus increasing the length of stay in North Dakota.
- Collaborative programs with educators on the need to offer tourism, hospitality and recreation management programs to youth to sustain tourism growth.
- Business Congress and Workforce Congress Interim Committees focused on improving state workforce programs and business tax incentives.
- Workforce Intelligence Council established in 2007 at the direction of the Legislature to provide qualitative and quantitative workforce intelligence to partners and stakeholders for their use in making strategic workforce decisions.
- Consolidated Biennial Statewide Plan for workforce development, workforce training and talent attraction.
- Statewide North Dakota Talent Strategy developed in 2006 to serve as the architectural backbone that guides the activities and decisions of state agencies who deliver education, workforce training and employability development services in North Dakota.
- Governor's Workforce Summits in 2004, 2007, 2009 and one planned for 2011.
- Industry sector workforce and skills needs assessments for the oil and natural gas industry and the information technology industry.
- Career advisors initiative.
- Eight Area Career and Technology Centers including three new virtual centers.

Goal 5

Continue to enhance a unified front for North Dakota that supports community, economic and workforce development.

Strategies

1. Enhance collaboration between economic development and tourism stakeholders, the Congressional delegation, the state Legislature, the Governor's office, tribes, the workforce delivery system, the University System, the state Commerce Department and the private sector in order to leverage all available sources of support.
2. Consistently collaborate with state stakeholders to determine the value of cooperative activities and identify ways to improve them.

Performance Measures

1. Number of local development and tourism stakeholders participating in Commerce sponsored marketing, tourism, workforce, business development and community development activities.
2. Stakeholder perceptions of a unified front for economic development in the state.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Fully integrated, statewide marketing and communication program including:
  - Grants to support local and regional economic development organizations in their efforts to recruit primary sector business and workforce.
  - Grants to support internships and apprenticeships for North Dakota students in North Dakota businesses.
  - Ambassador Program that provides a constant stream of image-enhancing news about North Dakota.
  - Relocation program to assist out-of-state job seekers in finding career opportunities in North Dakota.
- Community visits by Commerce staff in the economic development and community development divisions.
- Native American Business Development Office focused on helping North Dakota's American Indian businesses leverage government procurement opportunities and facilitate partnerships between Indian and non-Indian businesses. This office has worked with 101 Native American businesses, helping them secure federal contracts worth $65.4 million.
- Statewide Legendary branding initiative that drives a unified message and offers opportunities for local participation including:
  - Marketing grants to support local marketing efforts that use the state brand.
  - Tourism marketing materials providing consistent print and online listings of attractions, accommodations, events and activities.
  - A dedicated website section for industry partners to access resources to help them succeed, such as detailed research and marketing plans.
- Annual tourism stakeholder's meeting, which provides an overview of the annual marketing programs and advertising plans and outlines cooperative marketing opportunities for partners to position their business/attraction alongside the state in targeted marketing efforts.
- Tourism Division in-state familiarization trips for staff to better understand community offerings. Tours are rotated regionally and have touched most North Dakota communities and attractions.
- Tourism regional meetings, workshops and annual state tourism conference to provide education and networking opportunities.
- Collaboration with the Destination Marketing Association of ND (DMAND), the Tourism Alliance Partnership (TAP), and regional and theme-based associations to develop common goals, initiatives and budget priorities.

- Workforce development programs including:
  - Workforce Enhancement Grant Program.
  - Industry sector workforce and skills needs assessments for the oil and natural gas industry and the information technology industry.
  - Standardized community labor availability studies.
  - Consolidated biennial statewide strategic plan for workforce development, workforce training and talent attraction.
- Jobs for Americas Graduates program implemented at Williston Public School District #1, Boys and Girls Club Alternative School in Newtown and Williston State College.
- H1 B Technical Skills Training Grant for Healthcare administered during 2002-2005, which trained 1,175 individuals in nursing career ladder occupations.
- Statewide North Dakota Talent Strategy developed in 2006.
- Training for local and state-level economic developers including:
  - Developer certification classes offered by the National Development Council and coordinated by Commerce to certify 30 developers statewide.
  - Quarterly, day-long training sessions for new professionals in economic development involving all divisions at Commerce, the Bank of North Dakota and Rural Development.
  - Biannual half-day roundtables on economic development-related topics.
  - On-going training to the eight Regional Councils and the seven Community Action Agencies.
- Statewide Technical Assistance Team (STAT) to help developers solve difficult housing issues. Members of the team include Commerce, Bank of North Dakota, Housing Finance Agency, Rural Development, Center for Technology and Business, federal Housing and Urban Development agency and Community Works.
- Rural Community Development Summit.
- Rural Leadership Initiative developed by the NDSU Extension Service to train new leaders in rural North Dakota.

Goal 6

Enhance North Dakota's image.

Strategies

1. Develop a statewide internal marketing effort to improve North Dakota's self-image.
2. Continue to measure aggressive media relations campaigns that enhance North Dakota's image and increase awareness of North Dakota as a great place to live, work, play, visit and be in business.
3. Establish a measurement for social media engagement and its impact on the state's image.
4. Work with our regional partners, overseas offices and Visit America committees and consultants to keep North Dakota in the news and to educate on travel requirements and business opportunities.

Performance Measures

1. Ratio of positive to negative tone in media placements.
2. Number of visitors as a result of image enhancement efforts.
3. Number of workforce relocators as a result of image enhancement efforts.
4. Tourism advertising impact on image (measured through biennual visitor studies.)
5. Number of active social media influencers who contribute to depicting a fun and friendly North Dakota.
6. International advertising equivalency for positive North Dakota stories.

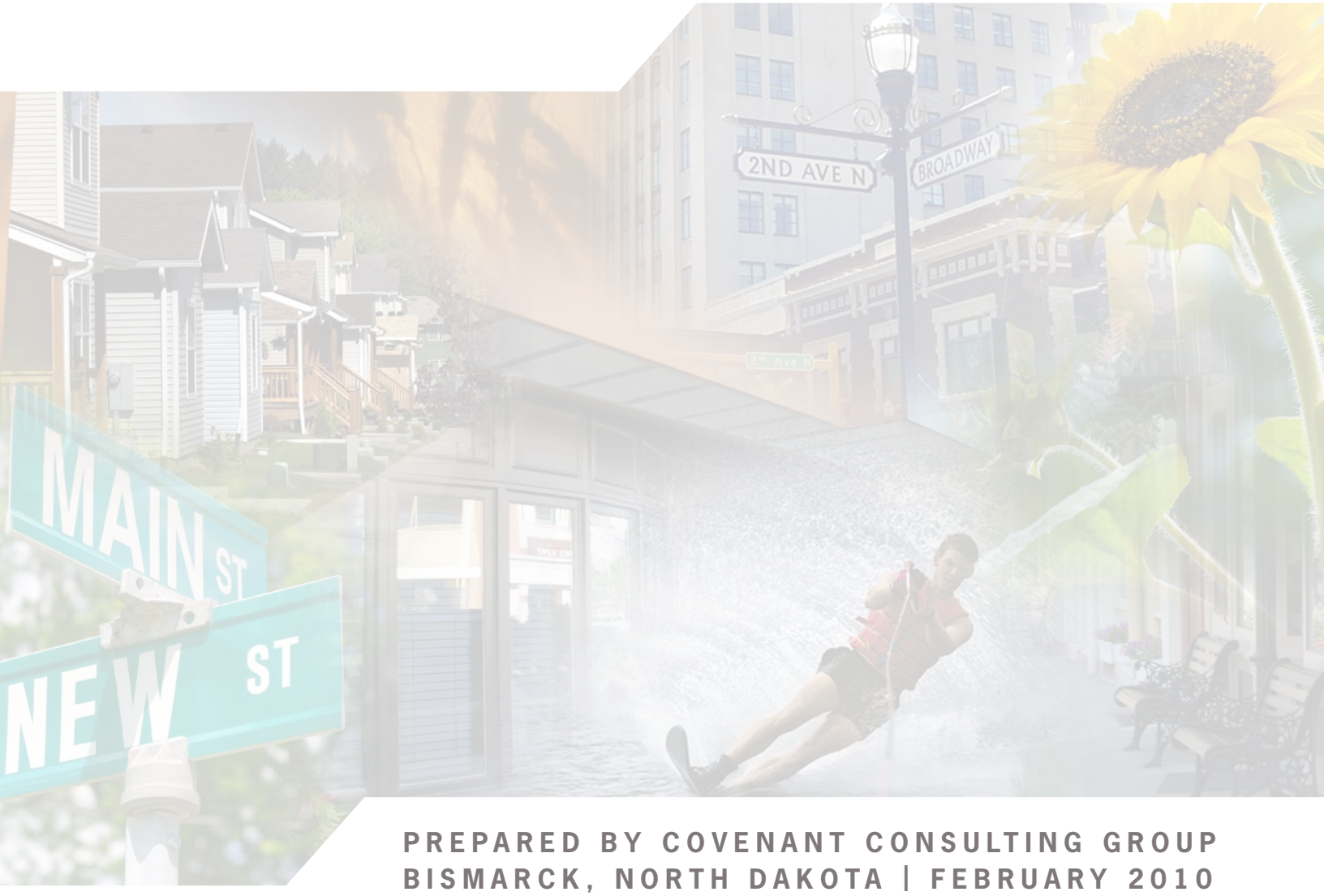
Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- A fully integrated, statewide marketing and communication program that includes:
  - Aggressive in-state, national and international media relations to enhance North Dakota's image and build credibility with media sources.
  - Social networking strategies to maximize distribution of positive images and messages.
  - Ambassador program to leverage the loyalty and power of North Dakota natives.
  - A targeted, research-driven marketing effort to promote tourism in North Dakota and enhance the state's image (8th year).
- Communication of recreation opportunities and quality of life available in North Dakota through paid advertising and media relations efforts.
- National and international business development marketing efforts and stakeholder participation in external marketing trips.
- Fully integrated marketing and communication program to attract visitors from targeted countries including Canada, Norway, Sweden, Denmark, Finland, Iceland, Germany and Australia.

NORTH DAKOTA ECONOMIC DEVELOPMENT

STRATEGIC PLAN: 2010-2020



PREPARED BY COVENANT CONSULTING GROUP
BISMARCK, NORTH DAKOTA | FEBRUARY 2010